

Improving Municipal Efficiency Through Task Budgeting

Cracow, Poland

Background

Municipal budgeting in Poland traditionally lacked flexibility, transparency and clarity. Budgets tended to focus exclusively on revenues and expenditures without much attention to planning, or communicating goals, objectives or desired results. Communities prepared “account code budgets,” which were simply rows of figures arranged into tables, based on guidelines and instructions from the Ministry of Finance and the State government. Budgets contained no descriptive information and were almost impossible to relate to specific services actually being delivered to citizens. Moreover, budgets rarely addressed the needs of the local communities—sometimes out of fear of breaking inflexible budget rules. Beginning in 1994, the City of Cracow (population 1.2 million) began to reform its budgeting process to make more objective and rational budget decisions, and to improve the effectiveness and efficiency of municipal operations, communication with citizens, and accountability.

Innovation

As the first step in the process of introducing task budgeting, the Cracow Executive Board and City Council established overall budget goals and priorities. Then the city identified tasks necessary to achieve the goals and priorities. In the first year Cracow identified over 180 tasks. In task budgeting, a task describes a relatively uniform activity undertaken by the local authority. Persons most knowledgeable about the tasks were assigned to refine them, determine the best ways to achieve them, and identify necessary resources. After a review process, the tasks were budgeted based on the approved full costs of accomplishing them. Tasks were planned through the budget year on the basis of individually estimated costs and clearly quantified objectives. As the budget year progressed, the person responsible for a task was given authority to make changes within the basic budget unit or discontinue the task if the expected results were not being achieved, giving the city flexibility to adopt to changes after the budget was approved. The person responsible for the task prepared regular reports to facilitate monitoring of implementation activities.

The first year’s budget contained the task budget and the traditional budget format so the City Council could compare the two. After seeing the different approaches, the City Council adopted the task budgeting system because of its clearer presentation, the focus upon activities and results, and the linkage between the budget and the city’s goals and priorities.

In addition to the budget innovation, the City of Cracow developed a new financial accounting system that supports both task budgeting and the traditional budget reporting requirements of the State. Municipalities still must report the status of the budget to the State in the traditional account codes format. To do both in an efficient fashion, a computerized accounting system was developed with the assistance of a software consulting firm. The system continues to be modified and enhanced periodically.

Results

The task budgeting system has been a very effective tool in improving the budgeting process. It has increased coordination of activity and responsibility of individual persons involved in the budgeting process; decreased costs of task execution as a direct benefit of analyzing alternative solutions; improved communication between the city council and community; improved the planning process by incorporation of explicit city goals and priorities into the budget; and improved information on the status of city expenditures.

Summary

To improve the effectiveness and efficiency of municipal operations, communication with citizens, and accountability, the City of Krakow introduced task budgeting. The task budgeting system has decreased costs of task execution and has improved communication with citizens, the planning process, and information on the status of city expenditures.

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